



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 5

77 WEST JACKSON BOULEVARD  
CHICAGO, IL 60604-3590

MAY 07 2009

REPLY TO THE ATTENTION OF:  
(AR-18J)

Michael E. Hopkins, P.E.  
Assistant Chief, Permitting  
Division of Air Pollution Control  
Ohio Environmental Protection Agency  
122 South Front Street  
P. O. Box 1049  
Columbus, Ohio 43266-1049

Re: Emission reduction credit determination resulting from South Point  
Ethanol (SPE) permanent shutdown

Dear Mr. Hopkins:

This letter is in response to your February 13, 2009, letter asking for the U.S. Environmental Protection Agency's concurrence with the Ohio Environmental Protection Agency's (OEPA) determination that credits generated from the shutdown of the SPE facility in 1995 are still available for use as offsets in the Huntington-Ashland nonattainment area. EPA agrees with OEPA that the 1995 emission credits may be used as offsets provided that the reductions are accounted for in the attainment demonstration and are not otherwise required by the Clean Air Act (CAA).

It is our understanding from your letter that the SPE facility permanently shut down the entire South Point, Ohio facility, including the three large wood/coal-fired boilers, in July of 1995, and that subsequently, South Point Biomass Generation, LLC (Biomass) acquired the SPE facility and equipment. South Point, Ohio was designated as nonattainment for particulate matter less than 2.5 microns (PM<sub>2.5</sub>) in 2004. Biomass intends to use the emission reductions from this facility as emission offsets for PM<sub>2.5</sub>.

Your letter also explains that OEPA, in calculating the available emission credits, considered only the PM<sub>2.5</sub> portion the PM emission credits from the SPE shutdown, reduced the available sulfur dioxide credits by the amount that had previously been used in a netting permit and reduced the available nitrogen oxide (NO<sub>x</sub>) credits by what is otherwise required by the NO<sub>x</sub> State Implementation Plan Call Trading Program. OEPA did not find any other requirements under the CAA that would have consumed the emission credits generated by the SPE shutdown.

EPA has reviewed the information you have provided in your letter and concluded that the emission credits generated by the SPE shutdown (minus the CAA-required

reductions) are not “too old” to be used as PM<sub>2.5</sub> emission offsets for Biomass. 40 C.F.R. 51.165(a)(3)(C)(ii) specifically provides for the use of emission reductions for shutdown units “if the projected emissions inventory used to develop the attainment demonstration explicitly includes the emissions from such previously shutdown or curtailed emission units.” The preamble to the November 29, 2005, 8-hr Ozone Implementation Rule discusses the issue further.

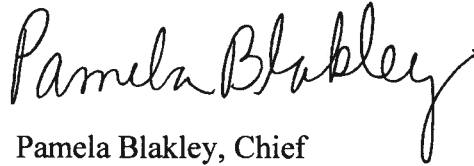
[R]eviewing authorities thus retain the ability to consider a prior shutdown or curtailment to have occurred after the last day of the base year if emissions from the shutdown or curtailment are accounted for in the attainment demonstration. (70 FR 71676)

The regulations are clear that the baseline from which to calculate offsets must be an inventory of emissions (in this case a projected inventory for 2009) which yields timely attainment. Ohio has submitted an attainment plan with a 2009 emission inventory with zero emissions for SPE (now Biomass). For Ohio to have an approvable attainment demonstration that justifies the availability of offset credits from the Biomass facility, Ohio must revise and resubmit the attainment demonstration, to include a revised projected emission inventory including the projected emissions from the Biomass facility. We cannot accept an argument that emissions at the location of interest would not significantly affect the violations in Huntington, notwithstanding being in the Huntington-Ashland nonattainment area. We believe the most appropriate justification would be revised modeling that includes Biomass emissions and nevertheless shows that timely attainment is expected. In these model runs, the model run for the 2005 base year would be unchanged (reflecting the shutdown conditions that were in fact the case) and the 2009 model run would be changed by adding the appropriate quantity of emissions at Biomass. Guidance on this issue is discussed in the ozone implementation policy, at 70 FR 71676 (November 29, 2005).

The involvement of SPE in the NOx Budget Trading Program complicates the calculation of creditable NOx emission reductions. We do not allow credit in cases where emission reduction at one facility simply makes allowances available to authorize the same quantity of emissions elsewhere. Recognizing that the Clean Air Interstate Rule (CAIR) NOx Ozone Season Trading Program has replaced the NOx Budget Trading Program, and that Ohio expects to include non-electric generating units (non-EGUs) in the CAIR NOx Ozone Season Trading Program, the key question is whether the shutdown of SPE influences the number of allowances to be issued to non-EGUs. Yet another complication is the fact that the CAIR NOx Ozone Season Trading Program does not regulate emissions during the seven months per year outside the ozone season. The CAIR NOx Annual Trading Program does not include non-EGUs. I recommend that we discuss these issues further so as to resolve the amount of NOx emission reductions from the shutdown of SPE that are creditable for offset purposes. Please note that until such time as the emission reductions from SPE’s shutdown meet the requirements of 40 C.F.R. 51.165(a)(3)(C), the credits are not available to be used as offsets. I would also like to clarify that while this letter does answer your questions about the viability of the emission

reductions created by the SPE shutdown, we are not approving the specific number of credits that are available. EPA can not comment on credits OEPA believes are available without reviewing the supporting information. If you have any additional questions feel free to contact Genevieve Damico, of my staff, at (312) 353-4761.

Sincerely,

A handwritten signature in black ink that reads "Pamela Blakley". The signature is written in a cursive style with a large, looping 'P' and a long, sweeping tail on the 'y'.

Pamela Blakley, Chief  
Air Permits Section